The last thing that I want to talk to you about in pricing is the pricing differential that is differentiated pricing. Companies often adjust their basic price to accommodate differences in customers, products, locations. So this is different than the previous thing that we spoke about which is price adaptation. With price adaptation there could be a costing differences also. What we are talking about now is price discrimination that occurs when the company sells a product or service at two or more prices that do not reflect a proportional difference in costs.

There are multiple degrees of price discrimination, the first two price discrimination are most often observed in B2B or organizational marketing and the third one is typical B2C scenario.

So, in first degree of price discrimination the seller charges a separate price to each customer depending upon the intensity of his or her demand, typical B2B scenario.

Second degree price discrimination is when the seller charges less to the buyer who buys a larger volume. So typically you would see that that in the first degree price discrimination somebody who has got more urgency in the demand could be charged more for a prompt delivery or a faster delivery and the second degree price differential so if somebody is buying more than a specific amount let say 10000 kg. So then the price will be different and you are talking about less than 5000 kg then the price will be different, this is what we are talking about in typical B2B scenario between vendors and suppliers.

The third degree of price discrimination the seller charges difference amount to different classes of buyers and this is what is mostly B2B.

Consumer segments pricing - different consumer segments are priced differently that you see normally in museums or amusement parks where the minors and the elderly they charge less in comparison to the adults.

The next one is product firm pricing. Different versions of the product are priced differently but not proportionate to their costs, this you see in the size of the products or the design of the products, so if you are talking about let's say aerated drinks the bottles and cans could be priced differently or a colorful can vs regular kind of can could be priced differently. So or liquid and solid bar of soap they could be priced differently. However, the technology being the same it doesn't really involved any change of costs but prices are different depending upon that versions of the product. So this is the typical example of product firm pricing.

The third one is image, image pricing. Companies position the products at different labels based on the look and feel of the product and price it differently. Now Perfume bottles in different containers items and designer gift packs the same chocolates, but in designer gift packs and regular individually if you buy the prices are different so this is a part of image pricing.

Then the obvious channel pricing items in different channels say online, mobile ordering, vending machines vs stores they are priced differently, so if you are promoting mobile ordering then there is a discount on the mobile ordering system. If you are promoting online purchases then again there is a discount on the online purchase system. So their prices could be lower in comparison to the price in the stores that is channel pricing.

Then the location pricing, see you would have observed it all the time in theatres or cinema halls the ticket prices are different based on the location of the seat even though the cost of delivery is still the same. So this is an example of location pricing.
Then time pricing- prices vary by the season by the day by the hour, early bird offers. Movie prices in multiplexes in the first week vs the second week or the 3rd week, roses during Valentine’s day, so these things are priced differentially and this is the examples of time pricing. So these are the various methods by which prices are adjusted over a period of time so the key learnings here are three-fold. One, price determination depends upon demand and supply situation on the target market, second, one needs to follow a structured and state wise approach to set the price, and third, subsequently you need to evaluate the business scenario to adjust the price as per the requirement and there are multiple ways by which you can adjust the price over a period of time.